

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
CITY OF HAWARDEN, IOWA  
FOR THE  
YEAR ENDED JUNE 30, 2009**

**Prepared by  
Office of the City Clerk  
Gary Tucker, City Administrator/City Clerk  
and Sharole Rens, Deputy City Clerk/Director of Finance**

**CITY OF HAWARDEN  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2009  
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**CITY OF HAWARDEN, IOWA**  
**Directory of City Officials**  
**June 30, 2009**

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**Elected City Officers**

Ricard Porter - Mayor

**Council Members:**

Patty Anderson (2009)  
Kody Hedden (2009)  
George Jacobs (2009)  
Larry Bauder (2011))  
Robert Borchers (2011)

**Hospital Trustees:**

Glea Hamik  
Matt Hummel  
Pam Harvey  
Kathy Jacobs  
StanHoekstra

**Appointed City Officers**

Gary Tucker – City Administrator/City Clerk/Telecommunications Director  
– Economic Development Director  
Sharole Rens – Director of Finance/Deputy City Clerk  
Jim Pickner – City Attorney  
Tom Kane – Director of Public Works  
Mike DeBruin – Chief of Police  
Jami Dekkers – Activity Director  
Valerie Haverhals – Librarian  
Jerry Wilson, EMS Director

**Appointed Boards and Commissions**

**Library Board of Trustees:**

Tony Lauters – Chairman  
Teri Kallsen – Vice Chairman  
Lois Jean Dawson  
Kay Scroggs

**Planning and Zoning Commission**

Carol Frerichs, Chairman  
Mike Wiggins, Vice Chairman  
Lloyd Strong, Jr.  
Virginia Moothart  
Jerry Jensen  
Lloyd Youngkin  
Terry Branham

**Board of Zoning Adjustment:**

William Salker – Chairman  
Julie Miller  
Jack Andela  
Arvin Kitchenmaster  
John Polifka

**Park Board:**

Duane Schiefen  
Jerrold Lynott  
Elaine Kane  
John Blankenship  
Jim Kinney



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## **INDEPENDENT AUDITORS' REPORT**

The Honorable Members of the City Council  
City of Hawarden, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the CITY OF HAWARDEN, IOWA (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hawarden Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$4,347,601 and total program revenues of \$5,750,097 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 13 and 54 through 57, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawarden, Iowa's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Williams & Company, P.C.*  
Certified Public Accountants

December 8, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2009**

As management of the City of Hawarden, we offer readers of the City of Hawarden's financial statements this narrative overview and analysis of the financial activities of the City of Hawarden for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information contained within the City's financial statements that follow this report, as well as the separately issued financial statements of the Hawarden Community Hospital, a discretely presented component unit of the City.

### **Financial Highlights**

- The assets of the City of Hawarden exceeded liabilities at June 30, 2009 by \$14,400,531. Of this amount, \$5,804,929 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased \$287,617 during the year. Of this amount, the assets of our Governmental Activities increased \$20,358 and the assets of our Business-Type Activities increased \$267,259.
- The City's long-term debt reflected a slight increase of \$10,000 due to the issuance of a new bond anticipation note. Outstanding General Obligation debt totals \$1,406,514. Outstanding Revenue Bond Debt totals \$2,170,000.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Hawarden's basic financial statements which consist of a series of financial statements comprised of three components: 1) The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. 2) Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. 3) An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

## **REPORTING THE CITY AS WHOLE**

### **The Statement of Net Assets and the Statement of Activities**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Ambulance, Public Works, Parks, and Recreation departments, and general administration. Property Taxes, charges for services, state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, Natural Gas, City Telephone, and Cable/High Speed Internet.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds



are reported using a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and the Governmental Funds in a reconciliation following each Governmental Fund financial statement.

- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## **THE CITY AS TRUSTEE**

### **Reporting the City's Fiduciary Responsibilities**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

## **THE CITY AS A WHOLE**

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the year ended June 30, 2009, net assets changed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 3,679,209	\$ 2,937,704	\$4,827,397	\$5,022,058	\$8,506,606	\$7,959,762
Capital Assets	8,230,730	8,634,199	2,953,865	2,793,320	11,184,595	11,427,519
Total Assets	11,909,939	11,571,903	7,781,262	7,815,378	19,691,201	19,387,281
Long-term Liabilities Outstanding	1,583,872	1,308,641	2,200,712	2,201,982	3,784,584	3,353,134
Other Liabilities	1,193,599	1,151,152	312,487	612,592	1,506,086	1,921,233
Total Liabilities	2,777,471	2,459,793	2,513,199	2,814,574	5,290,670	5,274,367
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	6,824,216	7,513,685	783,865	390,237	7,608,081	7,903,922
Restricted	621,105	194,751	366,416	1,232,224	987,521	1,426,975
Unrestricted	1,687,147	1,403,674	4,117,782	3,378,343	5,804,929	4,782,017
Total Net Assets	\$ 9,132,468	\$ 9,112,110	\$5,268,063	\$5,000,804	\$14,400,531	\$14,112,914

The government's net assets increased by \$287,617 during the current fiscal year. Reasons for the increase of the government's net assets are higher retail utility rates and capital contributions for Industrial Park Activities. This summary reflects an increase of total net assets by .2% for the Governmental Activities and an increase of 5.4% in the Business-Type Activities.

Total Revenue and Expenses and changes in Net Assets reported in Fiscal 2009 as compared to Fiscal 2008 are shown in the chart below.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 348,503	\$ 340,865	\$5,633,731	\$5,713,064	\$5,982,234	\$ 6,053,929
Operating Grants & Contributions	364,224	50,977	-	-	364,224	50,977
Capital Grants & Contributions	35,771	91,750	-	-	35,771	91,750
General Revenues:						
Property Taxes	1,016,775	923,401	-	-	1,016,775	923,401
Other Taxes	277,808	261,297	-	-	277,808	261,297
Other	283,328	376,260	87,175	159,448	370,503	535,708
Total Revenues	\$2,326,409	\$2,044,550	\$5,720,906	\$5,872,512	\$ 8,047,315	\$ 7,917,062

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Expenses:						
General Government	\$130,497	\$ 148,159	\$ -	\$ -	\$130,497	\$ 148,159
Public Safety	558,051	522,847	-	-	558,051	522,847
Public Works	668,779	501,759	-	-	668,779	501,759
Health & Welfare	279,103	262,592	-	-	279,103	262,592
Culture & Recreation	494,649	520,230	-	-	494,649	520,230
Community and Economic Development	160,389	508,572	-	-	160,389	508,572
Capital Projects	63,085	26,767	-	-	63,085	26,767
Debt Service	85,596	87,277	-	-	85,596	87,277
Water Utility	-	-	310,821	361,918	310,821	361,918
Waste Water Utility	-	-	355,489	333,935	355,489	333,935
Electric Utility	-	-	1,997,435	1,869,853	1,997,435	1,869,853
Gas Utility	-	-	1,354,513	1,574,957	1,354,513	1,574,957
Solid Waste Utility	-	-	139,093	161,551	139,093	161,551
Telephone Utility	-	-	748,611	755,841	748,611	755,841
Cable/Internet Utility	-	-	413,587	360,997	413,587	360,997
Total Expenses	2,440,149	2,578,203	5,319,549	5,419,052	7,759,698	7,997,255
Increase (Decrease) in Net Assets Before Transfers	(113,740)	(533,653)	401,357	453,460	287,617	(80,193)
Transfers	134,098	296,500	(134,098)	(296,500)	-	-
Increase (Decrease) in Net Assets	20,358	(237,153)	267,259	156,960	287,617	(80,913)
Net Assets July 1	9,112,110	9,349,263	5,000,804	4,843,844	14,112,914	14,193,107
Net Assets June 30	\$ 9,132,468	\$ 9,112,110	\$ 5,268,063	\$ 5,000,804	\$ 14,400,531	\$ 14,112,914

Program revenues totaled \$6,382,229 for fiscal year 2009 compared to \$6,196,656 for fiscal year 2008. Governmental Activities provided \$748,498 and Business-Type Activities provided \$5,633,731. Revenue collected for Charges for Services during fiscal year 2009 was \$5,982,234 accounting for 93.7% of the total program revenues.

General Revenues for fiscal year 2009 totaled \$1,665,086. Governmental Activities provided \$1,577,911 and Business-Type Activities provided \$87,175. Property Tax Revenues for fiscal year 2009 totaled \$1,016,775 accounting for 61% of General Revenues.

Expenses for fiscal year 2009 totaled \$7,759,698. Expenses for General Governmental Activities totaled \$2,440,149, accounting for 31.5% of total expenses. Business-Type Activity expenses totaled \$5,319,549, for 68.5% of the total.

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety .....	Individual & Community Protection, Physical Health
Public Works .....	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation .....	Education & Culture, Leisure Time Opportunities

<u>Program Level</u>	<u>Activity</u>
Community and Economic Development.....	Economic Development, Community Beautification, Planning and Zoning
General Government.....	Administration, Support Services
Debt Service.....	Payment of General Obligation Principal and Interest
Capital Projects .....	Construction of Capital Facilities
Water System.....	Operation of Water Treatment Plant/Supply Distribution System
Sewer System .....	Operation of the Waste Water Treatment Plant/Collection System
Electric System .....	Operation of Electric Distribution System
Natural Gas Utility .....	Operation of Natural Gas Distribution System
Solid Waste Utility .....	Oversight of Solid Waste Contract/Closed Landfill
Telephone Utility .....	Operation of Telephone Communication System
Cable/Internet Utility.....	Operation of Cable/Internet System

### **Governmental Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$558,051 and received \$197,325 in revenue, thus leaving a cost to the taxpayer of \$360,726 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Culture and Recreation	Fees, Donations, Grants
General Government	Licenses, Permits

The total cost of governmental activities this year was \$2,440,149. Of these costs, \$348,503 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$399,995, leaving a Net Expense of \$1,691,651 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail.

Total resources available during the year to finance governmental operations were \$11,572,617, consisting of Net Assets at July 1, 2008 of \$9,112,110, Program Revenues of \$748,498 and General Revenues and transfers of \$1,712,009. Total Governmental Activities during the year expended \$2,440,149; thus, Net Assets were increased by \$20,358, to \$9,132,468.

## **Business-Type Activities**

Business-Type Activities increased the City's net assets by \$267,259.

The cost of all Proprietary Activities this year was \$5,319,549. As shown in the Statement of Activities, the amounts paid by users of the systems was \$5,633,731, resulting in total Net Revenue for Business-Type Activities of \$314,182.

Total resources available during the year to finance Proprietary Fund activities were \$10,587,612, consisting of Net Assets at July 1, 2008 of \$5,000,804, Program Revenues of \$5,633,731 and General Revenues and transfers of \$(46,923). Total Proprietary Fund Activities during the year expended \$5,319,549; thus Net Assets were increased by \$267,259 to \$5,268,063.

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$1,392,225. The combined Governmental Funds balance increased \$588,643 from the prior year. This increase would be accounted for primarily by contributions from grant proceeds.

The General Fund is the primary operating fund of the City. During the year, expenditures were greater than revenues in the General fund by \$13,044. This amount is lower than 2008 when expenditures were more than revenue in the General fund by \$161,170. The TIF Fund saw an increase in fund balance of \$246,294, due mainly to decreased capital costs paid with TIF collections. The debt service fund saw very minimal changes from FY08. The main Capital Project for Fiscal Year 2009 was the infrastructure work in the Industrial Park for the Spec Building and new Bomgaars store, which will result in a \$500,000 increase in the City's debt to be repaid with future TIF Revenues.

## Budgetary Highlights

The following table shows the budget variances by program expenditure structure:

	Amended Budget	Actual Expenditures	Variance
Public Safety	\$ 529,973	\$ 533,767	\$ (3,794)
Public Works	359,665	346,183	13,482
Culture and Recreation	419,273	419,918	(645)
Community and Economic Development	330,306	160,389	169,917
General Government	485,531	121,456	364,075
Health and Social Services	276,500	277,808	(1,308)
Debt Service	108,650	226,803	(118,153)
Capital Projects	616,557	426,430	190,127
Business Type Activities	12,064,670	11,209,475	855,195
Total Expenditures	\$ 15,191,125	\$ 13,722,229	\$ 1,468,896

Below is a brief recap of budget activity for the year:

- The total original revenue budget of \$15,274,061 was increased to \$16,215,586 (an increase of \$941,525). A substantial portion of this increase can be attributed to bond proceeds.
- Property Tax budgeted revenues exceeded actual revenues by \$269,813 due primarily to changes in assessment valuations.
- Intergovernmental revenue exceeded budget figures by \$509,121 due to grant proceeds from various sources for various projects.
- Charges totaled \$11,716,956 which was \$1,059,943 less than the budgeted amount due to lower weather-related utility revenues and also utility administration charges.
- Contribution revenue exceeded budget figures by \$440,249 with the increase attributed to USDA/RD grant proceeds.
- The total original expenditure budget of \$14,406,268 was increased to \$15,191,125 (an increase of \$784,857).
- The above amendments to budgets were related to appropriation for capital improvements and capital outlay. Capital project expenses included the walking trail, Industrial Park/Bomgaars project and the Spec. Building, among others. Expenditures fell below the revised budget projections by \$1,468,896. This is primarily due to careful attention to expenditures.

## **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2009, was \$7,608,081 (net of accumulated depreciation and outstanding financings) compared to \$7,903,922 as of June 30, 2008. The decrease can be accounted for by the completion of several large capital projects within Business-Type Activities and no new projects underway, allowing depreciation expense to exceed capital outlays. See Note 4 to the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year-end, the City had \$3,715,489 of debt outstanding which is nearly unchanged from last year. Debt administration is on track for all City debt to be repaid within the next 10 years. This rapid repayment, when combined with the use of TIF revenue has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$4,324,063. With outstanding General Obligation Debt applicable to this limit of \$1,406,514, we are utilizing 32.5% of this limit. More detailed information on debt administration is provided in Note 5 of the financial statements.

## **ECONOMIC FACTORS**

The City of Hawarden worked hard in FY 2009 to maintain a progressive approach to growth and community development. During the year work proceeded on vertical infrastructure in our industrial park, capital projects continued as scheduled and the Comprehensive plan was updated. This Comprehensive plan is vital to many of our grant applications and providing a direction for future economic dollars. The plan was initially adopted in the summer of 2008 and will be utilized for many years to come.

Economically, the City works hard to attract new businesses and industry, while maintaining the quality of life residents have come to expect and enjoy. The following are a few examples of these efforts: Plasticology L.L.C.'s production and distribution facility is up and running providing needed job growth to the community and they have committed to another expansion in FY2010. The City of Hawarden was awarded a \$300,000 Rural Economic Development Grant from the USDA to establish a Revolving Loan Fund for future business expansion. This grant was loaned to Hawarden Area Partnership for Progress (HAPP) and construction was completed on a Spec Building in FY2009. Also, one of our local businesses, Bomgaars has their new store under construction in the South Industrial Park with a completion target of October 2009. The City has invested in the infrastructure for both of these buildings.

In business and industry recruitment, the City of Hawarden's Economic Development Director continues to work on business recruitment and retention. Furthermore the director will focus on marketing Hawarden through various means (i.e. internet, flyers) both internally (the community) and externally (surrounding communities and/or potential businesses). The City of Hawarden has expanded its comprehensive marketing campaign to promote Hawarden in a professional light as well as brand the community's name to decision-makers around the world. Fiscal year 2010 will see a renewed marketing strategy, the development of a new website, logo, and local business incentives that will assist in branding Hawarden.

Hawarden as a community continues to provide excellent medical care through two clinics and the Hawarden Community Hospital. We are also fortunate to have an excellent nursing home and two assisted living centers in our community. The new Family First Dental Clinic offers excellent dental care for the community.

Beautification projects continue to be a priority for the community. The City of Hawarden has been committed to a Walking Trail Project that will eventually surround the entire city. This year a large section of the trail was completed along 23<sup>rd</sup> Street, and work on the walking trail will continue in Fiscal Year 2010 along Highway 10 North, with additional sections being completed in future years. This will enhance the health and wellness of our citizens who do a great deal of walking, and also provide a much safer place for citizens to walk and get exercise. The City of Hawarden continues their beautification efforts through enforcement of its Property Maintenance Code.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Tucker at 712-551-2565.



CITY OF HAWARDEN, IOWA  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Hawarden Community Hospital
	Activities	Activities		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,010,648	\$ 2,564,835	\$ 4,575,483	\$ 806,275
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	29,058	172,904	201,962	940,488
Taxes	44,150	-	44,150	-
Subsequent Year Taxes	1,026,015	-	1,026,015	-
Accrued Interest	1,186	9,515	10,701	-
Other	260	-	260	56,554
Estimated Unbilled Usage	-	201,515	201,515	-
Special Assessments	-	1,382	1,382	-
Pledges Receivable	10,000	-	10,000	-
Notes Receivable	243,270	-	243,270	-
Internal Balances	308,947	(308,947)	-	-
Advances to Other Funds	(479,369)	479,369	-	-
Due From Related Party	-	-	-	190,274
Due from Other Governmental Agencies	316,775	-	316,775	-
Estimated Third-Party Payor Settlements	-	-	-	-
Inventories	-	384,280	384,280	65,412
Prepaid Assets	42,482	38,124	80,606	72,297
Investment in Joint Venture	-	841,198	841,198	-
Restricted Assets:				
Cash and Cash Equivalents- Donor Restricted	-	-	-	99,579
Cash and Cash Equivalents - Bond Reserve-	-	373,471	373,471	-
Investments- Donor Restricted	116,374	-	116,374	-
Customer Deposits	-	41,553	41,553	-
Bond Issue Costs	9,413	28,198	37,611	-
Land	377,825	56,094	433,919	7,000
Construction in Progress	21,645	124,963	146,608	65,966
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	7,831,260	2,772,808	10,604,068	1,185,855
<b>Total Assets</b>	<b>11,909,939</b>	<b>7,781,262</b>	<b>19,691,201</b>	<b>4,347,601</b>
<b>LIABILITIES</b>				
Accounts Payable	121,620	203,435	325,055	201,880
Accrued Wages	25,692	14,033	39,725	227,899
Accrued Expenses	553	3,215	3,768	64,126
Due to Other Governments	-	37,734	37,734	-
Accrued Postclosure Costs	-	4,080	4,080	-
Unearned Revenue	-	1,382	1,382	-
Deferred Revenue - Subsequent Year Taxes	1,026,015	-	1,026,015	-
Accrued Interest Payable	19,719	-	19,719	-
Payables from Restricted Assets:				
Customer Deposits	-	41,553	41,553	-
Accrued Revenue Bond Interest	-	7,055	7,055	-
Long-Term Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	275,000	275,000	-
General Obligation Bonds	151,000	-	151,000	-
Notes Payable	7,801	-	7,801	117,804
Bond Anticipation Note	423,000	-	423,000	-
Compensated Absences	7,677	6,142	13,819	-
Due in more than one year:				
Revenue Bonds Payable	-	1,895,000	1,895,000	-
General Obligation Bonds	832,514	-	832,514	-
Notes Payable	131,174	-	131,174	224,466
Compensated Absences	30,706	24,570	55,276	-
<b>Total Liabilities</b>	<b>2,777,471</b>	<b>2,513,199</b>	<b>5,290,670</b>	<b>836,175</b>
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	6,824,216	783,865	7,608,081	916,551
Restricted for:				
Debt Service	27,681	-	27,681	-
Specific Revenues	422,145	-	422,145	-
Revenue Bonds	-	366,416	366,416	-
Endowments:				
Expendable	54,905	-	54,905	87,485
Nonexpendable	116,374	-	116,374	96,123
Unrestricted	1,687,147	4,117,782	5,804,929	1,969,864
<b>Total Net Assets</b>	<b>\$ 9,132,468</b>	<b>\$ 5,268,063</b>	<b>\$ 14,400,531</b>	<b>\$ 3,070,023</b>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 558,051	\$ 197,325	\$ -	\$ -
Public Works	668,779	15,522	80	-
Health and Social Services	279,103	-	-	-
Culture and Recreation	494,649	68,555	47,730	6,172
Community and Economic Development	160,389	-	300,000	-
General Government	130,497	23,046	5,000	-
Capital Projects	63,085	44,055	11,414	29,599
Interest Expense	85,596	-	-	-
Total governmental activities	<u>2,440,149</u>	<u>348,503</u>	<u>364,224</u>	<u>35,771</u>
Business-Type Activities:				
Water Utility	310,821	267,699		
WasteWater Treatment Utility	355,489	238,036		
Electric Utility	1,997,435	2,345,148		
Gas Utility	1,354,513	1,425,226		
Solid Waste Utility	139,093	162,903		
Telephone Utility	748,611	749,584		
Cable/Internet Utility	413,587	445,135		
Total Business-Type Activities:	<u>5,319,549</u>	<u>5,633,731</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 7,759,698</u>	<u>\$ 5,982,234</u>	<u>\$ 364,224</u>	<u>\$ 35,771</u>
Component Unit:				
Hawarden Community Hospital	\$ 5,722,328	\$ 5,641,583	\$ 20,000	\$ 88,514

General Revenues:  
Property taxes  
Local Option Sales Tax  
Transfer of LOST Funds From City  
Interest  
General Intergovernmental Revenues  
Gain on Sales of Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit Hawarden Comm. Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (360,726)		\$ (360,726)	
(653,177)		(653,177)	
(279,103)		(279,103)	
(372,192)		(372,192)	
139,611		139,611	
(102,451)		(102,451)	
21,983		21,983	
(85,596)		(85,596)	
(1,691,651)		(1,691,651)	
	\$ (43,122)	(43,122)	
	(117,453)	(117,453)	
	347,713	347,713	
	70,713	70,713	
	23,810	23,810	
	973	973	
	31,548	31,548	
	314,182	314,182	
(1,691,651)	314,182	(1,377,469)	
			\$ 27,769
1,016,775	-	1,016,775	-
277,808	-	277,808	-
-	-	-	277,808
50,371	72,861	123,232	21,699
205,377	-	205,377	-
8,640	-	8,640	-
18,940	14,314	33,254	-
134,098	(134,098)	-	-
1,712,009	(46,923)	1,665,086	299,507
20,358	267,259	287,617	327,276
9,112,110	5,000,804	14,112,914	2,742,747
\$ 9,132,468	\$ 5,268,063	\$ 14,400,531	\$ 3,070,023

**CITY OF HAWARDEN, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2009**

	<b>General</b>	<b>TIF</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 80	\$ 591,525
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	29,058	-
Taxes	13,204	22,973
Subsequent Year Taxes	347,910	457,119
Accrued Interest	-	-
Other	260	-
Pledges Receivable	-	-
Notes Receivable	-	-
Due from Other Funds	308,536	-
Due from Other Governmental Agencies	-	-
Prepaid Assets	42,482	-
Restricted Assets:		
Donor Restricted Investments	-	-
<b>Total Assets</b>	<b>741,530</b>	<b>1,071,617</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts Payable	21,959	-
Accrued Wages and Compensated Absences	25,692	-
Accrued Expenses	553	-
Due to Other Funds	-	-
Notes Payable	-	-
Unearned Revenue	260	-
Deferred Revenue	349,384	459,122
Advance from Other Funds	-	643,069
<b>Total Liabilities</b>	<b>397,848</b>	<b>1,102,191</b>
Fund Balances:		
Reserved for:		
Debt Service	-	-
Note Receivable	-	-
Library Endowment	-	-
Prepaid Items	42,482	-
Unreserved for:		
General Fund	301,200	-
Special Revenue Fund	-	(30,574)
Capital Project Fund	-	-
<b>Total Fund Balances</b>	<b>343,682</b>	<b>(30,574)</b>
<b>Total Liabilities and Equity</b>	<b>\$ 741,530</b>	<b>\$ 1,071,617</b>

Debt Service	Capital Project Industrial Park/ Bomgaars	Non-major Governmental Funds	Total Governmental Funds
\$ 43,808	\$ 107	\$ 594,498	\$ 1,230,018
-	-	-	29,058
3,592	-	4,381	44,150
91,243	-	129,743	1,026,015
-	-	1,186	1,186
-	-	-	260
-	-	10,000	10,000
138,975	-	104,295	243,270
-	-	-	308,536
-	-	316,775	316,775
-	-	-	42,482
-	-	116,374	116,374
277,618	107	1,277,252	3,368,124
-	58,243	41,418	121,620
-	-	-	25,692
-	-	-	553
-	-	11,238	11,238
138,975	-	-	138,975
-	-	5,000	5,260
91,243	-	129,743	1,029,492
-	-	-	643,069
230,218	58,243	187,399	1,975,899
47,400	-	-	47,400
-	-	104,295	104,295
-	-	171,279	171,279
-	-	-	42,482
-	-	-	301,200
-	-	332,850	302,276
-	(58,136)	481,429	423,293
47,400	(58,136)	1,089,853	1,392,225
\$ 277,618	\$ 107	\$ 1,277,252	\$ 3,368,124

**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2009**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 18)	\$ 1,392,225
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	7,653,020
Internal service funds are used by management to acquire the capital equipment which is provided to user departments and are included in the statement of net assets.	1,533,689
Deferred revenues that provide current financial resources for governmental activities	8,737
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(19,719)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	9,413
Accrued compensated absences not reported on the modified accrual basis.	(38,383)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,406,514)</u>
Total Net Assets - Governmental Activities (page 14)	<u><u>\$ 9,132,468</u></u>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

	General	TIF	Debt Service
Revenue:			
Taxes	\$ 345,451	\$ 446,925	\$ 93,486
Special Assessments	80	-	-
Licenses and Permits	23,046	-	-
Intergovernmental Revenue	46,786	-	-
Charges for Services	229,035	-	-
Fines and Forfeits	12,723	-	-
Contributions	5,734	-	-
Refunds/Reimbursements	18,941	-	-
Rental Income	25,546	-	-
Interest	5,065	6,620	9,377
Miscellaneous	4,785	-	-
Total Revenue	717,192	453,545	102,863
Expenditures:			
Public Safety	523,017	-	-
Public Works	314,183	-	-
Health and Social Services	-	-	-
Culture and Recreation	412,529	-	-
Community and Economic Development	44,245	27,504	-
General Government	121,456	-	-
Capital Projects	-	100	-
Debt Service	-	28,347	198,456
Total Expenditures	1,415,430	55,951	198,456
Excess (deficiency) of revenues over expenditures	(698,238)	397,594	(95,593)
Other financing sources (uses):			
Proceeds from Sale of Assets	-	-	-
Bond Proceeds	-	-	-
Transfers In	697,794	448	96,748
Transfers Out	(12,600)	(151,748)	-
Total other financing sources (uses)	685,194	(151,300)	96,748
Net Change in Fund Balance	(13,044)	246,294	1,155
Fund balances-(Deficits)- beginning of year	356,726	(276,868)	46,245
Fund balances (Deficits)- end of year	\$ 343,682	\$ (30,574)	\$ 47,400

Capital Project Industrial Park/ Bomgaars	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 128,829	\$ 1,014,691
-	-	80
-	-	23,046
-	483,185	529,971
-	-	229,035
-	-	12,723
-	346,001	351,735
-	7,306	26,247
-	-	25,546
129	13,707	34,898
-	-	4,785
129	979,028	2,252,757
-	10,750	533,767
-	32,000	346,183
-	277,808	277,808
-	7,389	419,918
88,640	-	160,389
-	-	121,456
311,970	114,360	426,430
-	-	226,803
400,610	442,307	2,512,754
(400,481)	536,721	(259,997)
8,640	-	8,640
423,000	-	423,000
-	177,895	972,885
(89,295)	(302,242)	(555,885)
342,345	(124,347)	848,640
(58,136)	412,374	588,643
-	677,479	803,582
\$ (58,136)	\$ 1,089,853	\$ 1,392,225



**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2009**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)	\$ 588,643
<p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:</p>	
Expenditures for capital assets	\$ 94,895
Depreciation expense	<u>(253,808)</u> (158,913)
Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or (loss) on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities.	(180,334)
Revenues reported in the funds that are not available to provide current financial resources	(3,001)
Accrued interest expense that does not require current financial resources	(5,206)
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:	(7,172)
Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities.	62,928
The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(423,000)
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	(1,587)
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>148,000</u>
Change in net assets of governmental activities (page 16)	<u>\$ 20,358</u>

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Proprietary Funds**  
**June 30, 2009**

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 266,013	\$ 449,988	\$ 615,552
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	24,780	20,137	48,502
Accrued Interest	-	4,154	5,361
Estimated Unbilled Usage	21,128	16,354	119,434
Special Assessments	1,382	-	-
Due from Other Funds	-	-	18,901
Investment in Joint Venture	-	-	807,422
Advances to Other Funds	-	171,002	203,367
Inventories	23,420	-	187,563
Prepaid Assets	5,001	4,511	14,520
Non-Current Assets:			
Restricted Assets:			
Cash and Cash Equivalents - Bond Reserve	-	-	373,471
Customer Deposits	-	-	-
Bond Issue Costs	-	-	28,198
Land	33,873	130	-
Construction in Progress	11,877	22,135	77,951
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	687,136	529,445	1,214,781
<b>Total Assets</b>	<b>1,074,610</b>	<b>1,217,856</b>	<b>3,715,023</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	1,401	15,990	113,607
Accrued Wages	1,248	1,188	6,023
Accrued Expenses	780	36	1,873
Due to Other Funds	7,324	114,539	144,899
Due to Other Governments	-	-	-
Accrued Postclosure Costs	-	-	-
Unearned Revenue	1,382	-	-
Payables from Restricted Assets:			
Customer Deposits	-	-	-
Accrued Revenue Bond Interest	-	-	7,055
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	-	275,000
Compensated Absences	727	321	2,564
Due in more than one year:			
Revenue Bonds Payable	-	-	1,895,000
Compensated Absences	2,907	1,286	10,258
<b>Total Liabilities</b>	<b>15,769</b>	<b>133,360</b>	<b>2,456,279</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	732,886	551,710	(877,268)
Restricted for:			
Revenue Bonds	-	-	366,416
Unrestricted	325,955	532,786	1,769,596
<b>Total Net Assets</b>	<b>\$ 1,058,841</b>	<b>\$ 1,084,496</b>	<b>\$ 1,258,744</b>

Business Type Activities				Governmental Activities
Gas Utility	Telephone Utility	Non-major Enterprise Funds	Total	Internal Service
\$ 160,259	\$ 561,456	\$ 511,567	\$ 2,564,835	\$ 780,630
35,408	28,286	15,791	172,904	-
-	-	-	9,515	-
35,701	-	8,898	201,515	-
-	-	-	1,382	-
133,250	-	-	152,151	11,649
-	-	33,776	841,198	-
-	105,000	-	479,369	163,700
36,996	112,646	23,655	384,280	-
4,299	5,595	4,198	38,124	-
-	-	-	373,471	-
36,020	5,533	-	41,553	-
-	-	-	28,198	-
6	-	22,085	56,094	-
-	13,000	-	124,963	-
144,459	44,497	152,490	2,772,808	10,813
586,398	876,013	772,460	8,242,360	566,897
19,423	26,136	26,878	203,435	-
1,986	2,618	970	14,033	-
369	-	157	3,215	-
194,336	-	-	461,098	-
-	37,734	-	37,734	-
-	-	4,080	4,080	-
-	-	-	1,382	-
36,020	5,533	-	41,553	-
-	-	-	7,055	-
-	-	-	275,000	-
931	1,107	492	6,142	-
-	-	-	1,895,000	-
3,723	4,429	1,967	24,570	-
256,788	77,557	34,544	2,974,297	-
144,465	57,497	174,575	783,865	577,710
-	-	-	366,416	-
185,145	740,959	563,341	4,117,782	955,979
\$ 329,610	\$ 798,456	\$ 737,916	\$ 5,268,063	\$ 1,533,689

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
<b>Operating Revenues:</b>				
Charges for Services	\$ 267,699	\$ 238,036	\$ 2,345,148	\$ 1,425,226
<b>Total Operating Revenue</b>	<u>267,699</u>	<u>238,036</u>	<u>2,345,148</u>	<u>1,425,226</u>
<b>Operating Expenses:</b>				
Resale Purchases	-	-	1,188,436	997,601
Employee Services	69,186	52,525	160,313	108,274
Contract Services	87,754	119,077	152,815	149,289
Supplies	47,361	19,551	113,197	41,630
Repairs and Improvements	35,322	30,204	46,868	32,248
Utilities	15,884	66,207	-	-
Miscellaneous	1,463	800	10,334	4,268
Depreciation	53,851	67,125	229,560	21,203
Amortization	-	-	3,719	-
<b>Total Operating Expenses</b>	<u>310,821</u>	<u>355,489</u>	<u>1,905,242</u>	<u>1,354,513</u>
<b>Operating Income (Loss)</b>	(43,122)	(117,453)	439,906	70,713
<b>Non-Operating Income (Expense):</b>				
Interest Income	5,756	18,805	28,340	82
Other Non-operating Revenues (Expenses)	6,919	1,759	(5,419)	3,836
Interest Expense	-	-	(92,193)	-
<b>Total Non-Operating Income (Expenses)</b>	<u>12,675</u>	<u>20,564</u>	<u>(69,272)</u>	<u>3,918</u>
<b>Income (Loss) before Contributions and Transfers</b>	(30,447)	(96,889)	370,634	74,631
<b>Capital Contributions</b>	-	165,278	117,624	-
<b>Transfers Out</b>	<u>(17,000)</u>	<u>(22,000)</u>	<u>(215,500)</u>	<u>(72,500)</u>
<b>Change in Net Assets</b>	(47,447)	46,389	272,758	2,131
<b>Net Assets - Beginning</b>	<u>1,106,288</u>	<u>1,038,107</u>	<u>985,986</u>	<u>327,479</u>
<b>Net Assets - Ending</b>	<u>\$ 1,058,841</u>	<u>\$ 1,084,496</u>	<u>\$ 1,258,744</u>	<u>\$ 329,610</u>

Business Type Activities			Governmental Activities
Telephone Utility	Non-major Enterprise Funds	Total	Internal Service
\$ 749,584	\$ 608,038	\$ 5,633,731	\$ 212,607
749,584	608,038	5,633,731	212,607
270,552	342,669	2,799,258	-
75,304	54,592	520,194	-
303,246	80,782	892,963	-
37,408	19,406	278,553	-
11,304	38,507	194,453	16,801
12,499	131	94,721	-
35,878	2,092	54,835	-
2,420	14,501	388,660	151,751
-	-	3,719	-
748,611	552,680	5,227,356	168,552
973	55,358	406,375	44,055
11,141	8,737	72,861	15,473
8,014	(795)	14,314	-
-	-	(92,193)	-
19,155	7,942	(5,018)	15,473
20,128	63,300	401,357	59,528
-	-	282,902	3,400
(60,000)	(30,000)	(417,000)	-
(39,872)	33,300	267,259	62,928
838,328	704,616	5,000,804	1,470,761
\$ 798,456	\$ 737,916	\$ 5,268,063	\$ 1,533,689

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 254,454	\$ 226,439	\$ 2,357,267
Cash Received from Interfund Services Provided			
Cash Paid to Suppliers for Goods and Services	(215,664)	(238,347)	(1,455,926)
Cash Paid to Employees for Services	(68,491)	(52,173)	(159,843)
Other Nonoperating Income	6,919	1,759	20,024
Net Cash Provided (Used) by Operating Activities	(22,782)	(62,322)	761,522
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(9,110)	(27,045)	(201,085)
Principal Paid on Notes and Bonds	163	-	(265,000)
Interest Paid on Notes and Bonds	-	-	(92,878)
Net Cash (Used) by Capital and Related Financing Activities	(8,947)	(27,045)	(558,963)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating Transfers to Other Funds	(17,000)	(22,000)	(215,500)
Advances From (To) Other Funds	-	10,152	57,376
Due From (To) Other Funds	(55,366)	53,251	191,494
Net Cash Provided (Used) for Non-Capital Financing Activities	(72,366)	41,403	33,370
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	5,756	19,065	28,924
Net Cash Provided for Investing Activities	5,756	19,065	28,924
Net Increase (Decrease) in Cash and Cash Equivalents	(98,339)	(28,899)	264,853
Cash and Cash Equivalents at Beginning of Year	364,352	478,887	724,170
Cash and Cash Equivalents at End of Year	\$ 266,013	\$ 449,988	\$ 989,023

Business Type Activities				Governmental Activities
Gas Utility	Telephone Utility	Non-major Enterprise Funds	Total	Internal Service
\$ 1,443,366	\$ 753,155	\$ 609,774	\$ 5,644,455	\$ -
(1,243,657)	(677,342)	(491,320)	(4,322,256)	212,607
(107,892)	(76,718)	(54,337)	(519,454)	(27,546)
3,836	8,014	(795)	39,757	-
95,653	7,109	63,322	842,502	185,061
(16,063)	(13,000)	-	(266,303)	(84,129)
-	-	-	(264,837)	-
-	-	-	(92,878)	-
(16,063)	(13,000)	-	(624,018)	(84,129)
(72,500)	(60,000)	(30,000)	(417,000)	-
-	(56,000)	-	11,528	(163,700)
(8,735)	-	-	180,644	-
(81,235)	(116,000)	(30,000)	(224,828)	(163,700)
82	11,141	8,737	73,705	15,473
82	11,141	8,737	73,705	15,473
(1,563)	(110,750)	42,059	67,361	(47,295)
197,842	677,739	469,508	2,912,498	827,925
\$ 196,279	\$ 566,989	\$ 511,567	\$ 2,979,859	\$ 780,630

(Continued)

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ (43,122)	\$ (117,453)	\$ 439,906
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Depreciation	53,851	67,125	229,560
Amortization	-	-	3,719
Miscellaneous Non-Operating Income	6,919	1,759	20,024
(Increase) Decrease in Assets:			
Accounts Receivable	(9,863)	(6,698)	(486)
Estimated Unbilled Usage	(3,382)	(4,899)	12,605
Inventories	(1,479)	-	26,165
Prepaid Expenses	(1,125)	(1,253)	3,656
Increase (Decrease) in Liabilities			
Accounts Payable	(25,505)	(1,291)	26,811
Accrued Wages	191	382	1,159
Accrued Compensated Absences	504	(30)	(689)
Due To Other Governments	-	-	-
Accrued Expenses	229	36	(908)
Customer Deposits	-	-	-
Total Adjustments	20,340	55,131	321,616
Net Cash Provided (Used) by Operating Activities	\$ (22,782)	\$ (62,322)	\$ 761,522
<b>Supplemental Schedule of Noncash Capital and Related Financing Activities:</b>			
Contributed Capital	\$ -	\$ 165,278	\$ 117,624
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>			
Cash and Cash Equivalents	\$ 266,013	\$ 449,988	\$ 615,552
Customer Deposits	-	-	-
Restricted Cash and Cash Equivalents	-	-	373,471
	\$ 266,013	\$ 449,988	\$ 989,023



Business Type Activities				Governmental
Gas Utility	Telephone Utility	Non-major Enterprise Funds	Total	Activities Internal Service
\$ 70,713	\$ 973	\$ 55,358	\$ 406,375	\$ 44,055
21,203	2,420	14,501	388,660	151,751
-	-	-	3,719	-
3,836	8,014	(795)	39,757	-
14,617	3,161	2,230	2,961	-
5,043	-	(494)	8,873	-
(939)	3,366	(1,481)	25,632	-
751	(751)	937	2,215	-
(18,269)	(11,264)	(6,036)	(35,554)	(10,745)
30	83	167	2,012	-
352	(1,497)	88	(1,272)	-
-	2,194	-	2,194	-
(164)	-	(1,153)	(1,960)	-
(1,520)	410	-	(1,110)	-
24,940	6,136	7,964	436,127	141,006
\$ 95,653	\$ 7,109	\$ 63,322	\$ 842,502	\$ 185,061
\$ -	\$ -	\$ -	\$ 282,902	\$ 3,400
\$ 160,259	\$ 561,456	\$ 511,567	\$ 2,564,835	\$ 780,630
36,020	5,533	-	41,553	-
-	-	-	373,471	-
\$ 196,279	\$ 566,989	\$ 511,567	\$ 2,979,859	\$ 780,630

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**June 30, 2009**

	Pension Trust Fund		Agency Funds	Total
	Police Retirement Fund			
<b>ASSETS</b>				
Cash and Pooled Investments	\$	3,550	\$ 47,243	\$ 50,793
<b>Total Assets</b>		3,550	47,243	50,793
<b>LIABILITIES</b>				
Accounts Payable		279	254	533
Due to Other Governments		-	46,989	46,989
<b>Total Liabilities</b>		279	47,243	47,522
<b>NET ASSETS</b>				
Held in Trust for Pension Benefits		3,271	-	3,271
<b>Total Net Assets</b>	\$	3,271	\$ -	\$ 3,271

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2009**

	<u>Pension Trust Fund</u>
	<u>Police Retirement Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 10,750
Total Contributions	10,750
Investment Income:	
Interest, Dividends and Market Gain	42
Net Investment Income	42
Total Additions	10,792
<b>DEDUCTIONS</b>	
Pension Benefits	10,155
Total Deductions	10,155
Net Increase	637
Net Assets -- Beginning of Period	2,634
Net Assets -- End of Period	\$ 3,271

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hawarden is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1887 and operates under the Mayor-Council form of government with the Mayor and Council elected on a non-partisan basis. The City administers the following programs under its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government. It also provides water, sewer, electric and sanitation utilities and telephone and cable/internet services.

The financial statements of the City of Hawarden have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

For financial reporting purposes, the City of Hawarden has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

**A. Reporting Entity**

These financial statements present the City of Hawarden (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative offices.

Discretely Presented Component Unit – The Hawarden Community Hospital (Hospital) is organized under Chapter 392 of the Code of Iowa and governed by a five member Board of Trustees elected for four year terms. The City of Hawarden annually provides significant operating subsidies to the Hospital. In accordance with criteria set forth by the Governmental Accounting Standards Board. The Hospital meets the definition of a component unit which should be discretely presented. The Hospital is accounted for using enterprise fund accounting in these financial statements. Complete financial statements are on file at the hospital.

Jointly Governed Organizations – The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Sioux County Conference Board, Sioux County Emergency Management Commission and Sioux County Joint E911 Service Board.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental, the City's capital equipment internal service fund, and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reported the following major governmental funds.

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The Special Revenue Tax Increment Financing Revenues Fund is used to account for funds provided to private companies for economic development and related tax revenues from the tax increment financing district.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. General property taxes or tax increment financing are to provide the revenues for the debt services payments.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation of a municipally owned water system, which provides services to the residents of the City.

The Waste Water Fund accounts for the operation of a municipally owned sewage collection and treatment facility, which provides services to the residents of the City.

The Electric Fund accounts for the operation of a municipally owned electric system, which distributes electrical power to the residents of the City.

The Gas Fund accounts for the operation of a municipally owned natural gas system, which distributes natural gas to the residents of the City.

The Telephone Fund accounts for the operation of a municipally owned telephone system, providing telephone service to residents of the City.

Internal Service Fund – The capital equipment fund is used to account for the financing of goods to other departments of the City on a cost-recovery basis. This fund is presented in the proprietary fund financial statements. Because the principal users of the capital equipment fund are the City's governmental activities, the financial statements of the fund are consolidated into the governmental column when presented in the government-wide financial statements.

Fiduciary Fund Types – These funds account for assets held by the government in a trustees capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

- 1) Pension Trust Fund – The Police Retirement Fund represents the resources accumulated to fund police retirements. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, so that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
- 2) Agency Funds – The Payroll Clearing Fund acts as a clearing mechanism for payroll which is shared by various funds of the City. The Flex Spending Fund is used to account for funds withheld from the checks of city employees for qualified expenses. The Community Projects Fund accounts for funds received by various organizations within the community and held until a specific project is completed by those organizations.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following FASB pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The annual financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Pooled Cash, Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested in money market checking accounts. Interest earned on those investments is recorded in the General Fund unless otherwise provided by law. Other investments held by specific funds consist of non-negotiable certificates of deposit which are stated at cost or U.S. government securities stated at fair value determined by quoted market prices or in the Iowa Public Agency Investment trust stated at fair value determined by current share prices.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2009 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects tax asking contained in the budget certified to the County Board of Supervisors March, 2008.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of \$19,661 and \$22,200 at June 30, 2009 and 2008, respectively. Unbilled usage, recorded in the Enterprise Funds for service consumed between periodic scheduled billing dates, is estimated and is recognized as revenue in the period in which the service is provided.

Also, the Hawarden Community Hospital's accounts receivable consists of patient receivables net of allowances for estimated third-party contractual adjustments and uncollectibles of \$239,158 and \$333,147 at June 30, 2009 and 2008, respectively.



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa.

Internal Balances – During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.

Advances From and To Other Funds – Advances are long-term borrowings between funds which are repaid over time plus interest.

Inventories – Inventories are valued at the lower of cost (first-in, first-out) or market. Governmental Fund Type inventories of expendable supplies held for consumption are recorded as an expenditure at the time of purchase and are not recorded on the combined balance sheet because the amounts are not material. Inventories in the Enterprise Funds, consisting of material and supplies, are reported as an expense when consumed.

Restricted Assets – Proceeds from debt and funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Customer deposits are monies paid by customers and held by the City until future refunding or application to an unpaid account balance. The principal portion of Donor Restricted Endowments are also classified as restricted assets, as only the interest earned on these assets may be expended. It is the City's policy to first apply unrestricted resources when an expense is incurred for purposes for which either are available.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, curbs, gutters) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Roads have been capitalized using estimated historical cost beginning in 1980 as required by GASB 34. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds.

<u>Asset Class</u>	<u>Amount</u>
General Fixed Assets	\$ 2,000
Utility Fixed Assets	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 – 100 years
Improvements other than buildings	15 – 40 years
Vehicles	5 – 10 years
Equipment	5 – 20 years
Infrastructure	50 – 100 years

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of notes receivable not currently due, as well as delinquent property tax receivable and special assessments not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and grant funds received but not yet earned or expended.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded for this time and any related benefits when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2009 exceeded amounts budgeted in Public Safety, Health and Social Services, Culture and Recreation, and Debt Service functions.

**Note 2 - POOLED CASH , INVESTMENTS AND CASH EQUIVALENTS**

The City deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 2 POOLED CASH, INVESTMENTS AND CASH EQUIVALENTS – (Continued)**

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2009.

At June 30, 2009 the City had the following investments:

	<b>Credit Risk</b>	<b>Fair Value</b>
U.S. Treasury Notes	N/A	\$ 20,277

**Reconciliation of Investments:**

**Restricted:**

U.S. Treasury Notes .....	\$ 20,277
Certificates of Deposit.....	96,097
	<u>\$ 116,374</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment is in a fixed rate U.S. Treasury Note dated July 18, 2008, which is due April 30, 2010. The note pays an interest rate of 2.125%. The City also has an investment in a fixed rate certificate of deposit dated July 21, 2008 which is due on September 21, 2009. The certificate of deposit pays an interest rate of 1.95%.

**Note 3 - JOINT VENTURES**

MBMECA - The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns an 11.75 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for on the equity method in the Electric Fund. The net income reported on the financial statements is reported on the City's fiscal year, not on the Cooperative's year; therefore, the summary data presented below does not agree with the financial statements.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 3 - JOINT VENTURES – (Continued)**

Summary financial information of the joint venture for the year ended December 31, 2008 follows:

	<u><b>Total</b></u>	<u><b>City Share</b></u>
Assets .....	\$ 7,541,800	\$ 886,161
Liabilities .....	278,926	32,774
Equity .....	7,262,874	853,387
	<u>7,541,800</u>	<u>886,161</u>
Revenues.....	1,087,551	127,787
Expenses .....	1,199,905	140,989
Net Decrease in Equity .....	<u>\$ (112,354)</u>	<u>\$ (13,202)</u>

The joint venture has no outstanding debt. Complete financial statements can be obtained directly from MBMECA.

Northwest Iowa Solid Waste - In 1991 the City contributed \$33,776 capital to Northwest Iowa Area Solid Waste Agency for membership in the Agency. Membership provides the City with use of solid waste facilities. In the event of the City's withdrawal from the Agency or dissolution, the City is entitled to the lower of its capital contribution or a share of the Agency's assets based on the City's prorata share of contributions by all municipalities. Complete financial statements can be obtained directly from Northwest Iowa Solid Waste.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 457,875	\$ -	\$ 80,050	\$ 377,825
Construction in Progress-infrastructure	-	10,832	-	10,832
Construction in Progress-equipment	-	10,813	-	10,813
Total capital assets not being depreciated	457,875	21,645	80,050	399,470
Capital assets being depreciated:				
Buildings	5,113,150	7,119	39,500	5,080,769
Improvements other than buildings	1,411,359	66,763	222,658	1,255,464
Equipment and vehicles	2,539,728	87,851	29,785	2,597,794
Infrastructure, road network	4,747,315	-	-	4,747,315
Total capital assets being depreciated	13,811,552	161,733	291,943	13,681,342
Less: Accumulated Depreciation for:				
Buildings	2,024,957	108,693	22,713	2,110,937
Improvements other than buildings	587,588	33,700	139,161	482,127
Equipment and vehicles	1,736,358	178,993	28,831	1,886,520
Infrastructure, road network	1,286,325	84,173	-	1,370,498
Total Accumulated Depreciation	5,635,228	405,559	190,705	5,850,082
Total capital assets being depreciated, net	8,176,324	(243,826)	101,238	7,831,260
Governmental activities capital assets, net	\$ 8,634,199	\$ (222,181)	\$ 181,288	\$ 8,230,730
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 56,094	\$ -	\$ -	\$ 56,094
Construction in Progress	139,276	92,116	106,429	124,963
Total capital assets not being depreciated	195,370	92,116	106,429	181,057
Capital assets being depreciated:				
Buildings	102,703	39,673	-	142,376
Utility Plant	12,312,892	523,845	-	12,836,737
Total capital assets being depreciated	12,415,595	563,518	-	12,979,113
Less: Accumulated Depreciation for:				
Buildings	85,144	3,985	-	89,129
Utility Plant	9,732,501	384,675	-	10,117,176
Total Accumulated Depreciation	9,817,645	388,660	-	10,206,305
Total capital assets being depreciated, net	2,597,950	174,858	-	2,772,808
Business-Type activities capital assets, net	\$ 3,341,095	\$ 266,974	\$ 106,429	\$ 2,953,865

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 4 - CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

Public Safety	\$ 25,766
Public Works	145,010
Health & Social Services	1,295
Culture & Recreation	76,925
General Government	156,563
Total depreciation expense – governmental activities	<u>\$ 405,559</u>

The governmental depreciation expense amount shown above includes \$151,751 of depreciation expense from the City's internal service fund which is recorded as a governmental activity on the government-wide statements.

**Business-Type Activities:**

Water	\$ 53,851
Wastewater	67,125
Electric	229,560
Gas	21,203
Cable/Internet	14,501
Telephone	2,420
Total depreciation expense – business type activities	<u>\$ 388,660</u>

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
<b>Discretely presented component unit</b>				
Capital assets not being depreciated:				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Construction-in-Progress	59,552	6,414	-	65,966
	<u>66,552</u>	<u>6,414</u>	<u>-</u>	<u>72,966</u>
Capital assets being depreciated:				
Land Improvements	41,289	-	-	41,289
Hospital	1,546,920	8,400	-	1,555,320
Fixed Equipment	513,618	8,846	6,431	516,033
Major Moveable Equipment	1,661,578	124,241	61,387	1,724,432
Total capital assets being depreciated	<u>3,763,405</u>	<u>132,641</u>	<u>61,387</u>	<u>3,837,074</u>
Less: Accumulated Depreciation for:				
Land Improvements	28,114	1,147	-	29,261
Hospital	996,794	47,625	-	1,044,419
Fixed Equipment	385,666	15,202	6,431	394,437
Major Moveable Equipment	1,034,404	210,085	61,387	1,183,102
Total Accumulated Depreciation	<u>2,444,978</u>	<u>274,059</u>	<u>61,387</u>	<u>2,651,219</u>
Total capital assets being depreciated, net	1,318,427	(141,418)	-	1,185,855
Total capital assets, net	<u>\$ 1,384,979</u>	<u>\$ (135,004)</u>	<u>\$ -</u>	<u>\$ 1,258,821</u>
Total depreciation expense – discretely presented component unit				<u>\$ 274,059</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 4 - CAPITAL ASSETS – (Continued)**

Reconciliation of Invested In Capital Assets, net of related debt.

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 377,825	\$ 56,094	\$ 7,000
Construction-in-Progress	21,645	124,963	65,966
Capital Assets (net of accumulated depreciation)	7,831,260	2,772,808	1,185,855
Less:			
General Obligation Bonds Payable	1,406,514	-	-
Notes Payable	-	-	342,270
Revenue Bonds	-	2,170,000	-
	<u>\$ 6,824,216</u>	<u>\$ 783,865</u>	<u>\$ 916,551</u>

**Note 5 - CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 31,211	\$ 32,548	\$ 25,376	\$ 38,383	\$ 7,677
General obligation bonds/notes	1,131,514	-	148,000	983,514	151,000
Bond Anticipation Note	-	423,000	-	423,000	423,000
	<u>\$ 1,162,725</u>	<u>\$ 455,548</u>	<u>\$ 173,376</u>	<u>\$ 1,444,897</u>	<u>\$ 581,677</u>

Unaccreted premium at June 30, 2009 on bonds sold at premium totaled \$2,333.

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Due Within One Year
Business type activities:					
Revenue notes	\$ 2,435,000	\$ -	\$ 265,000	\$ 2,170,000	\$ 275,000
Compensated Absences	31,982	25,305	26,575	30,712	6,142
	<u>\$ 2,466,982</u>	<u>\$ 25,305</u>	<u>\$ 291,575</u>	<u>\$ 2,200,712</u>	<u>\$ 281,142</u>

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Due Within One Year
Component unit:					
Bank Notes	\$ 453,835	\$ -	\$ 111,565	\$ 342,270	\$ 117,804

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

General Obligation Bonds/Notes

Three issues of unmatured general obligation bonds/notes, totaling \$1,406,514 are outstanding at June 30, 2009. General obligation bonds/notes bear interest at rates ranging from 2.0-4.75% and mature in varying annual amounts, ranging from \$60,000 to \$95,000, with the final maturities due in the year ending June 30, 2018.

During the year ended June 30, 2009 \$423,000 was drawn on a bond anticipation note. An additional \$77,000 was drawn in July 2009. On August 20, 2009 the total of \$500,000 was refinanced into General Obligation Corporate Purpose bonds with an interest rate of 4.25% and maturing June 2019. The bonds are being used to finance infrastructure construction and economic development funds.

Details of general obligation bonds/notes payable at June 30, 2009 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2009
General obligation bonds/notes:						
Capital Loan Notes	June 14, 2007	4.05%	June 1, 2012	80,000-93,000	432,000	\$ 268,514
General corporate purpose and refunding	May 1, 2003	2.0-4.0%	June 1, 2018	50,000-95,000	1,060,000	715,000
Bond Anticipation Note	August 6, 2008	4.75%	August 20, 2009	-	423,000	423,000
						<u>\$ 1,406,514</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 574,000	\$ 50,046	\$ 624,046
2011	160,000	31,242	191,242
2012	167,514	25,321	192,835
2013	75,000	19,005	94,005
2014	80,000	16,380	96,380
2015-2018	350,000	35,150	385,150
Total	<u>\$ 1,406,514</u>	<u>\$ 177,144</u>	<u>\$ 1,583,658</u>

Revenue Notes

The City has pledged income derived from the acquired or constructed asset to pay debt service.

There are a number of limitations and restrictions contained in the revenue bond indenture summary. The reserve requirements are as follows:

Enterprise	Type of Account	Required Balance June 30, 2009	Actual Balance June 30, 2009
Electric	Electric Revenue Sinking Fund	\$ 29,971	\$ 29,971
Electric	Bond and Interest Reserve	243,500	243,500
Electric	Bond Improvement	100,000	100,000

These amounts are classified as restricted assets on the combined balance sheet.



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

Details of revenue notes payable at June 30, 2009 are as follows:

Business Type Activities	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2009
Revenue Notes:						
Electric Crossover Refunding	Jan. 26, 2004	2.55-4.3%	June 1, 2016	250,000-350,000	2,945,000	<u>\$ 2,170,000</u>

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 275,000	\$ 84,662	\$ 359,662
2011	285,000	75,312	360,312
2012	295,000	65,053	360,053
2013	310,000	53,843	363,843
2014	320,000	41,753	361,753
2015-2016	685,000	44,003	729,003
Total	<u>\$ 2,170,000</u>	<u>\$ 364,626</u>	<u>\$ 2,534,626</u>

Bank Loans:

In FY02, the City borrowed \$180,000 for Wee Care Child Care for improvements to the leased portion of the community center. The City will make payments on this loan at the same terms as the Wee Care schedule of payments to the City as scheduled in Note 11.

Component Unit:

In July 2006, the Hospital took out a note from Farmers State Bank in Hawarden for \$172,000 to be used for the purchase of property and equipment. This note has an interest rate of 6.0% and will be repaid over five years in monthly installments of \$3,326, beginning August 28, 2006.

In December 2006, the Hospital took out a note from First State Bank in Hawarden for \$135,000 to be used for the purchase of property and equipment. This note has an interest rate of 5.95% and will be repaid over five years in monthly installments of \$2,611, beginning January 10, 2007.

In May 2007, the Hospital took out a note from Farmers State Bank in Hawarden for \$74,184 for the purchase of property and equipment. This note has an interest rate of 5.75% and will be repaid over five years in monthly installments of \$1,426, beginning July 1, 2007.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

In December 2007, the Hospital took out a note from Peoples Bank in Hawarden for \$200,000 for the purchase of property and equipment. This note has an interest rate of 4.49% and will be repaid over five years in monthly installments of \$3,728, beginning January 5, 2008.

Annual debt service requirements related to the Notes are as follows:

Year	Principal	Interest	Total
2010	\$ 117,804	\$ 15,287	\$ 133,091
2011	124,398	8,694	133,092
2012	77,990	2,851	80,841
2013	22,078	291	22,369
	<u>\$ 342,270</u>	<u>\$ 27,123</u>	<u>\$ 369,393</u>

The total of component unit interest expense on borrowed funds during the year ended June 30, 2009 was \$23,078:

**Note 6 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 179,000
	Employee Benefit Levy	117,794
	Tax Increment Financing Revenues	13,000
	Capital Projects	
	Capital Improvements Fund	5,000
	Enterprise	
	Water	10,000
	Electric	205,500
	Gas	62,500
	Telephone	60,000
	Solid Waste	20,000
	Wastewater	15,000
	Cable/Internet	10,000
		<u>697,794</u>
Debt Service	Special Revenue:	
	Tax Increment Financing Revenues	96,748
		<u>96,748</u>
Non-Major Capital Project Fund	General	12,600
	Special Revenue:	
	Tax Increment Financing Revenues	42,000
	Enterprise:	
	Water	7,000
	Electric	10,000
	Gas	10,000
	Wastewater	7,000
		<u>88,600</u>
Revolving Loan	Capital Project-Industrial Park/Bomgaars	<u>89,295</u>
Tax Increment Financing Revenues	Capital Project Walking Trail	<u>448</u>
Total Transfers		<u>\$ 972,885</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 6 - INTERFUND TRANSFERS – (Continued)**

Transfers are used to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources, as well as to move resources from the business-type activities to governmental funds to help finance general governmental operations.

**Note 7 – INTERNAL BALANCES**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2009, balances of interfund amounts payable or receivable have been recorded as “due to other funds” and “due from other funds”, respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

The detail of short-term interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise:	
	Wastewater	\$ 114,539
	Gas	182,759
	Non-major Capital Project Funds	11,238
		<u>308,536</u>
Enterprise:	Enterprise:	
Gas	Electric	133,250
Electric	Gas	11,577
Electric	Water	7,324
Internal Service:	Enterprise:	
Capital Equipment	Electric	11,649
		<u>\$ 472,336</u>

The detail of long-term advances to and from other funds at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:	Special Revenue:	
Electric	Tax Increment Financing	\$ 203,367
Wastewater	Tax Increment Financing	171,002
Telephone	Tax Increment Financing	105,000
Internal Service	Tax Increment Financing	163,700
		<u>\$ 643,069</u>

**Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)**

statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered payroll except for police employees, in which case the percentages are 5.63% and 8.45%, respectively.

Contribution requirements are established by state statute. The City contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$75,993, \$70,778 and \$64,769, respectively, equal to the required contributions for each year.

In addition the Hawarden Municipal Hospital contributed the following amounts for the year ended June 30, 2009, 2008, and 2007, respectively, \$121,143, \$99,174, and \$99,136. These amounts also equal the required annual contributions.

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employ of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one individual who qualifies as a participant because of the employment of their spouse prior to July 1, 1971. The payroll for employees covered by the system was \$-0- and the City's total payroll for the police department was \$226,028.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2009.

<u>Net Pension Obligation</u>	
Retirees and Beneficiaries Currently Receiving Benefits .....	\$ 105,113
Net Assets Available for Benefits at Market.....	-

There were no current year member contributions. Eligible participants were required to contribute annually an amount equal to 1% of current annual salary, or approximately \$200 per year. The City has chosen to fund the plan on a pay-as-you-go basis under which contributions

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)**

to the plan above and beyond employee contributions are made at the same time and in the same amounts as benefit payments and expenses become due.

This method has been selected since no future entrants to the plan will occur because of the eligibility employment date. Presently, the total annual liability for pension benefits is approximately \$10,000 per year which the City feels can be funded on a pay-as-you-go basis through property tax levies since no funding of future benefits will be necessary due to a closed group situation which will result in no new participants.

The unfunded actuarial present value of credited projected benefits is \$105,113.

The unfunded actuarial present value of credited projected benefits is not recorded as a liability of the City. The City's contribution for the year was \$10,156 as required by the pay-as-you-go method of funding. This \$10,156 was paid by the City as required. The amount was not actuarially determined.

Three-year trend information is as follows:

	June 30, <u>2009</u>	June 30, <u>2008</u>	June 30, <u>2007</u>
Net assets available for benefits as a percentage of the net pension obligation applicable to the City's employees	0.00%	0.00%	0.00%
Unfunded net pension obligation as a percentage of the City's annual covered pay-roll	N/A	N/A	N/A
City's contributions to the pension plan as a percentage of annual covered payroll	N/A	N/A	N/A

This is a closed system with all active members retired. Taxes are levied to sufficiently compensate the retired members involved in this system.

**Note 9 - RISK FINANCING**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2008-09 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 10 - POSTCLOSURE COSTS**

The City's landfill site has been closed since 1986 but state and federal laws and regulations require the City perform certain maintenance and monitoring functions at the site for 30 years after closure. The long-term postclosure costs recorded in the Solid Waste Utility of \$4,080 represents the estimated postclosure costs related to the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2009. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or unexpected test results.

**Note 11 - NOTES RECEIVABLE**

In fiscal year 2002, the City advance Wee Care Child Care \$180,000 for improvements to leased portion of community center. The City borrowed these funds from a local institution and a receivable and liability of the same amount are recorded in the debt service fund. The note bears interest at 5.85% with payments as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2010	\$ 7,359
2011	7,801
2012	8,251
2013	8,766
2014	9,292
2015-2019	55,526
2020-2022	41,980
Total Note Receivable	<u>\$ 138,975</u>

During the year ended June 30, 2009, the City advanced Wee Child Care \$15,000 for short term cash flow issues. The note was due on October 11, 2009 at 0% interest. \$7,500 was repaid on October 1, 2009 and the remaining balance was reissued due April 11, 2010.

Also during the fiscal year end June 30, 2009 the City opened a revolving loan fund. The purpose of the fund is to promote economic development in Hawarden. Loans by the City from Hawarden's Revolving Loan fund at June 30, 2009 consisted of \$89,295 to Hawarden Area Partnership for Progress. HAPP will also receive an additional \$300,000 upon the City's receipt of a USDA grant. HAPP will then have 2 years to sell their building. If at that time the building has not been sold the total \$389,295 loan will begin to be repaid to the City over 10 years at 0% interest.

**Note 12 - RELATED PARTY TRANSACTIONS**

*Hawarden Community Clinic*

Effective January 1, 2005, the Hospital and Mercy Medical Services entered into a joint venture whereby each partner has a 50% sponsorship interest in Hawarden Community Clinic, LLC. (HCC). The Hospital and MMS share equally in the net income (loss) of HCC. The Hospital's share of HCC's 2009 and 2008 (from January 1 through June 30) operating loss was \$35,986 and \$104,385, respectively, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net assets.

The Hospital hires the employees of HCC and leases them back to HCC. Amounts received by the Hospital for expenses paid in 2009 and 2008 was \$314,700 and \$306,068, respectively, and

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 12 - RELATED PARTY TRANSACTIONS (Continued)**

is included in the accompanying statements of revenue, expenses and changes in net assets. The Hospital also received management fees from HCC totaling \$50,000 and \$40,000 in 2009 and 2008, respectively.

In addition, the Hospital receives monthly rent from the clinic with rental income totaling \$27,600 for the years ended June 30, 2009 and 2008, respectively, and is included in other revenue.

HCC owed the Hospital \$183,822 and \$153,190 at June 30, 2009 and 2008, respectively. These amounts are recorded in due from related party on the balance sheets.

*Ireton Community Clinic*

Effective June 1, 2008, the Hospital and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Ireton Community Clinic, LLC. (ICC). The Hospital and MMS share equally in the net income (loss) of ICC. The Hospital's share of ICC's 2009 and 2008 operating loss was \$29,458 and \$5,895, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net assets.

The Hospital hires the employees if ICC and leases them back to ICC. Amounts received by the Hospital for expenses paid in 2009 and 2008 was \$35,054 and \$4,554, and is included in the accompanying statements of revenue, expenses and changes in net assets. The Hospital also received management fees from Ireton Community Clinic totaling \$10,000 and \$-0- in 2009 and 2008, respectively.

In addition, the Hospital receives monthly rent from the clinic with rental income totaling \$3,900 and \$-0- for the years ended June 30, 2009 and 2008 and is included in other revenue.

ICC owed the hospital \$6,452 and \$-0- at June 30, 2009 and 2008, respectively. These amounts are recorded in due from related party on the balance sheet.

**Note 13 - RESERVES**

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	Prepaid Items	Debt Service	Endowments/ Library	Non-major Governmental	Total
General Fund	\$ 42,482				\$ 42,482
Debt Service		\$ 47,400			47,400
Notes Receivable				\$ 104,295	104,295
Permanent Fund Marie Gregg/Vipond Trust			\$ 171,279		171,279
<b>Total Reserves of Fund Balances</b>	<b>\$ 42,482</b>	<b>\$ 47,400</b>	<b>\$ 171,279</b>	<b>\$ 104,295</b>	<b>\$ 365,456</b>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Note 14 - LEASES WITH RELATED PARTIES**

The Telephone Fund leases certain assets from the Electric Fund. The lease includes fiber optic cable and other assets associated with providing telecommunications utility. The lease provides for annual payments of \$145,354 with no set minimum lease term.

**Note 15 - DEFICIT FUND BALANCES**

The City has four funds with deficit fund balances at June 30, 2009. The City intends to finance these deficits from tax increment property taxes and collection of pledges for the Heart of Hawarden Project.

The fund deficits are as follows:

TIF .....	\$ 30,574
Heart of Hawarden Project.....	4,301
Industrial Park/Bomgaars Project .....	58,136
Walking Trail Project .....	1,937

**Note 16 - MAJOR CUSTOMERS**

During the year ended June 30, 2009, charges for services provided by the waste water utility of the City to Iowa Lamb Corp. was \$30,603, or 13% of total waste water charges for service. Charges for services provided by the water utility to Iowa Lamb Corp. was \$53,237, or 20% of total water charges for service. Gas utility charges for services provided to Iowa Lamb Corp. totaled \$237,766, or 17% of total gas charges for services.

**Note 17 - SUBSEQUENT EVENT**

In August 2009 the City issued \$500,000 of General Obligation Corporate Purpose Bonds for infrastructure construction and economic development funds for progress in connection with the industrial spec. building. The bonds shall bear interest at a rate of 4.25%. See Note 5 for details.



**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**June 30, 2009**

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Iowa Budget law requires the adoption of legal budgets for expenditures (expenses) on a program basis. The programs are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Although the budget document presents program expenditures (expenses) by fund, the legal level of control is at the aggregated program level, not at the fund level. For example, all budget categories of a particular fund may be exceeded so long as total budgeted program expenditures (expenses) are not exceeded on a "city-wide" basis. Program expenditures (expenses) required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital project funds, permanent fund, and proprietary fund types (including internal service). Legally adopted budgets may be prepared on a cash basis or on a basis consistent with U.S. generally accepted accounting principles.

The City follows these procedures in establishing the budget data reflected in the financial statement.

1. At least six weeks prior to March 15, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 15, the budget is legally enacted through passage of a resolution.
4. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification to the City Clerk. The budget is formally amended by City Council resolution. Public hearings on budget amendments are conducted if the amendment is at the program level. The original budget plus subsequent amendments constitute the annual appropriated budget. There are no other appropriations of budget that occur. During the year, the budget was amended to increase expenditures as follows:

	<b>Original Budget</b>	<b>5/28/09 Amendment</b>	<b>Amended Budget</b>
Public Safety	\$ 529,973	\$ -	\$ 529,973
Public Works	367,165	(7,500)	359,665
Health and Social Services	250,000	26,500	276,500
Culture and Recreation	418,273	1,000	419,273
Community and Economic Development	330,306	-	330,306
General Government	485,531	-	485,531
Debt Service	108,650	-	108,650
Capital Projects	53,500	563,057	616,557
Business Type Activities	11,862,870	201,800	12,064,670
Transfer Out	738,544	396,025	1,134,569

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**June 30, 2009**

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5. Legally adopted budgets are prepared on a program basis for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds and the Permanent Fund on a basis consistent with generally accepted accounting principles and reflect the annual appropriation resolutions adopted by the City Council.
  
6. Unexpended appropriations lapse at the end of each fiscal year.

Aggregation of Program Expenditures/Expenses for Governmental, Proprietary and Permanent Fund Types is shown on the next page to demonstrate legal compliance with budget:

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**June 30, 2009**

	Governmental Fund Types	Proprietary Fund Types
<b>Revenues:</b>		
Property Taxes .....	\$ 1,014,691	\$ -
Special Assessments .....	80	-
Licenses .....	23,046	-
Intergovernmental .....	529,971	-
Charges .....	229,035	5,846,338
Fines .....	12,723	-
Contributions .....	351,735	-
Refunds .....	26,247	-
Rental Income .....	25,546	-
Interest .....	34,898	88,334
Miscellaneous .....	4,785	14,314
Total Revenue .....	<u>2,252,757</u>	<u>5,948,986</u>
<b>Expenditures:</b>		
Public Safety .....	533,767	-
Public Works .....	346,183	-
Health and Social Services .....	277,808	-
Culture and Recreation .....	419,918	-
Community and Economic Development .....	160,389	-
General Government .....	121,456	-
Capital .....	426,430	-
Debt Service .....	226,803	-
Business Type Activities .....	-	5,487,147
Total Expenditures/Expenses .....	<u>2,512,754</u>	<u>5,487,147</u>
Excess (Deficiency) of Revenues Over Expenditures ....	<u>(259,997)</u>	<u>461,839</u>
<b>Other Financing Sources (Uses):</b>		
Transfers from Other Funds .....	972,885	-
Bond Proceeds .....	423,000	-
Capital Contributions .....	-	286,302
Proceeds (Loss) from Asset Sales .....	8,640	(954)
Transfers to Other funds .....	(555,885)	(417,000)
Total Other Financing Sources (Uses)	<u>848,640</u>	<u>(131,652)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)	588,643	330,187
Fund Balance/Retained Earnings at Beginning of Year	803,582	6,471,565
Fund Balance/Retained Earnings at End of Year .....	<u>\$ 1,392,225</u>	<u>\$ 6,801,752</u>

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**June 30, 2009**

Primary Government Total	Hawarden Community Hospital	Reporting Entity Total	Original Budget	Final Amended Budget	Variance Favorable (Unfavorable)
\$ 1,014,691	\$ -	\$ 1,014,691	\$ 1,258,004	\$ 1,284,504	\$ (269,813)
80	-	80	325	325	(245)
23,046	-	23,046	20,925	20,925	2,121
529,971	277,808	807,779	279,658	298,658	509,121
6,075,373	5,641,583	11,716,956	12,776,899	12,776,899	(1,059,943)
12,723	-	12,723	-	-	12,723
351,735	88,514	440,249	-	-	440,249
26,247	-	26,247	-	-	26,247
25,546	-	25,546	-	-	25,546
123,232	21,699	144,931	161,700	161,700	(16,769)
19,099	20,000	39,099	38,006	38,006	1,093
<u>8,201,743</u>	<u>6,049,604</u>	<u>14,251,347</u>	<u>14,535,517</u>	<u>14,581,017</u>	<u>(329,670)</u>
533,767	-	533,767	529,973	529,973	(3,794)
346,183	-	346,183	367,165	359,665	13,482
277,808	-	277,808	250,000	276,500	(1,308)
419,918	-	419,918	418,273	419,273	(645)
160,389	-	160,389	330,306	330,306	169,917
121,456	-	121,456	485,531	485,531	364,075
426,430	-	426,430	53,500	616,557	190,127
266,803	-	226,803	108,650	108,650	(118,153)
5,487,147	5,722,328	11,209,475	11,862,870	12,064,670	855,195
<u>7,999,901</u>	<u>5,722,328</u>	<u>13,722,229</u>	<u>14,406,268</u>	<u>15,191,125</u>	<u>1,468,896</u>
<u>201,842</u>	<u>327,276</u>	<u>529,118</u>	<u>129,249</u>	<u>(610,108)</u>	<u>(1,798,566)</u>
972,885	-	972,885	738,544	1,134,569	161,684
423,000	-	423,000	-	500,000	77,000
286,302	-	286,302	-	-	(286,302)
7,686	-	7,686	-	-	(7,686)
(972,885)	-	(972,885)	(738,544)	(1,134,569)	(161,684)
<u>716,988</u>	<u>-</u>	<u>716,988</u>	<u>-</u>	<u>500,000</u>	<u>(7,686)</u>
918,830	327,276	1,246,106	129,249	(110,108)	(1,806,252))
7,275,147	2,742,747	10,017,894	10,017,894	10,017,894	-
<u>\$ 8,193,977</u>	<u>\$3,070,023</u>	<u>\$ 11,264,000</u>	<u>\$ 10,147,143</u>	<u>\$ 9,907,786</u>	<u>\$(1,806,252)</u>

**CITY OF HAWARDEN, IOWA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**JUNE 30, 2009**

	Special Revenue Funds				Capital Projects	
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	Revolving Loan Fund	Capital Improve- ment	Walking Trail Project
<b>Assets</b>						
Cash and Cash Equivalents	\$ 7,857	\$ 3,710	\$ 41,418	\$ 127	\$ 12,692	\$ -
Receivables (Net, where applicable, of allowance for uncollectibles)				-		
Taxes	-	4,381	-	-	-	-
Subsequent Year Taxes	-	129,743	-	-	-	-
Accrued Interest	-	-	-	-	-	-
Pledges Receivable	-	-	-	-	-	-
Notes Receivable	-	-	-	89,295	-	-
Due from Other Governmental Agencies	16,775	-	-	300,000	-	-
Restricted Assets:						
Donor Restricted Investments	-	-	-	-	-	-
<b>Total Assets</b>	<b>24,632</b>	<b>137,834</b>	<b>41,418</b>	<b>389,422</b>	<b>12,692</b>	<b>-</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable	-	-	41,418	-	-	-
Due to Other Funds	-	-	-	-	-	1,937
Unearned Revenue	-	-	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	129,743	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>129,743</b>	<b>41,418</b>	<b>-</b>	<b>-</b>	<b>1,937</b>
<b>Fund Balances:</b>						
Reserved for:						
Notes Receivable	-	-	-	89,295	-	-
Library Endowment	-	-	-	-	-	-
Unreserved	24,632	8,091	-	300,127	12,692	(1,937)
<b>Total Fund Balances</b>	<b>24,632</b>	<b>8,091</b>	<b>-</b>	<b>389,422</b>	<b>12,692</b>	<b>(1,937)</b>
<b>Total Liabilities and Equity</b>	<b>\$ 24,632</b>	<b>\$ 137,834</b>	<b>\$ 41,418</b>	<b>\$ 389,422</b>	<b>\$ 12,692</b>	<b>\$ -</b>

Capital Projects							Permanent Fund	Total
Heart of Hawarden Project	Public Works Building Replacement	Capital Facilities Fund	Mapping	Contingency Fund	Low-Mod Income Project	Marie Gregg/Vipond Trust		Governmental Nonmajor Funds
\$ -	\$ 142,747	\$ 76,372	\$ 49,169	\$ 80,849	\$ 125,838	\$ 53,719		\$ 594,498
-	-	-	-	-	-	-		4,381
-	-	-	-	-	-	-		129,743
-	-	-	-	-	-	1,186		1,186
10,000	-	-	-	-	-	-		10,000
-	-	-	-	15,000	-	-		104,295
-	-	-	-	-	-	-		316,775
-	-	-	-	-	-	116,374		116,374
10,000	142,747	76,372	49,169	95,849	125,838	171,279		1,277,252
-	-	-	-	-	-	-		41,418
9,301	-	-	-	-	-	-		11,238
5,000	-	-	-	-	-	-		5,000
-	-	-	-	-	-	-		129,743
14,301	-	-	-	-	-	-		187,399
-	-	-	-	15,000	-	-		104,295
-	-	-	-	-	-	171,279		171,279
(4,301)	142,747	76,372	49,169	80,849	125,838	-		814,279
(4,301)	142,747	76,372	49,169	95,849	125,838	171,279		1,089,853
\$ 10,000	\$ 142,747	\$ 76,372	\$ 49,169	\$ 95,849	\$ 125,838	\$ 171,279		\$ 1,277,252

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2009**

	Special Revenue Funds				Capital Projects	
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	Revolving Loan Fund	Capital Improve- ment	Walking Trail Project
Revenue:						
Taxes	\$ -	\$ 128,829	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	205,377	-	277,808	-	-	-
Contributions	-	-	-	300,000	7,199	19,000
Refunds/Reimbursements	-	-	-	-	7,306	-
Interest	-	-	-	127	180	119
Total Revenue	205,377	128,829	277,808	300,127	14,685	19,119
Expenditures:						
Public Safety	-	10,750	-	-	-	-
Public Works	32,000	-	-	-	-	-
Health and Social Services	-	-	277,808	-	-	-
Culture and Recreation	-	-	-	-	-	-
Capital Projects	-	-	-	-	1,500	62,608
Total Expenditures	32,000	10,750	277,808	-	1,500	62,608
Excess (deficiency) of revenues over expenditures	173,377	118,079	-	300,127	13,185	(43,489)
Other financing sources (uses):						
Transfers In	-	-	-	89,295	-	42,000
Transfers Out	(179,000)	(117,794)	-	-	(5,000)	(448)
Total other financing sources (uses)	(179,000)	(117,794)	-	89,295	(5,000)	41,552
Net Change in Fund Balance	(5,623)	285	-	389,422	8,185	(1,937)
Fund balances (Deficits) - beginning of year	30,255	7,806	-	-	4,507	-
Fund balances (Deficits) - end of year	\$ 24,632	\$ 8,091	\$ -	\$ 389,422	\$ 12,692	\$ (1,937)

Capital Projects						Permanent Fund	Total
Heart of Hawarden Project	Public Works Building Replacement	Capital Facilities Fund	Mapping	Contingency Fund Project	Low-Mod Income Project	Marie Gregg/ Vipond Trust	Governmental Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,829
-	-	-	-	-	-	-	483,185
5,000	-	-	-	-	4,108	10,694	346,001
-	-	-	-	-	-	-	7,306
-	2,613	1,203	1,025	1,581	1,904	4,955	13,707
5,000	2,613	1,203	1,025	1,581	6,012	15,649	979,028
-	-	-	-	-	-	-	10,750
-	-	-	-	-	-	-	32,000
-	-	-	-	-	-	-	277,808
-	-	-	-	-	-	7,389	7,389
-	39,673	1,024	6,555	-	3,000	-	114,360
-	39,673	1,024	6,555	-	3,000	7,389	442,307
5,000	(37,060)	179	(5,530)	1,581	3,012	8,260	536,721
-	34,000	12,600	-	-	-	-	177,895
-	-	-	-	-	-	-	(302,242)
-	34,000	12,600	-	-	-	-	(124,347)
5,000	(3,060)	12,779	(5,530)	1,581	3,012	8,260	412,374
(9,301)	145,807	63,593	54,699	94,268	122,826	163,019	677,479
\$ (4,301)	\$ 142,747	\$ 76,372	\$ 49,169	\$ 95,849	\$ 125,838	\$ 171,279	\$ 1,089,853



**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Proprietary Nonmajor Funds**  
**June 30, 2009**

	<b>Solid Waste Utility</b>	<b>Cable/Internet Utility</b>	<b>Total Enterprise Nonmajor Funds</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 279,884	\$ 231,683	\$ 511,567
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	10,941	4,850	15,791
Estimated Unbilled Usage	8,898	-	8,898
Investment in Joint Venture	33,776	-	33,776
Inventories	-	23,655	23,655
Prepaid Assets	611	3,587	4,198
Non-Current Assets:			
Restricted Assets:			
Land	22,085	-	22,085
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	152,490	152,490
<b>Total Assets</b>	<b>356,195</b>	<b>416,265</b>	<b>772,460</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	6,272	20,606	26,878
Accrued Wages	-	970	970
Accrued Expenses	3	154	157
Accrued Postclosure Costs	4,080	-	4,080
Noncurrent Liabilities:			
Due within one year:			
Compensated Absences	-	492	492
Due in more than one year:			
Compensated Absences	-	1,967	1,967
<b>Total Liabilities</b>	<b>10,355</b>	<b>24,189</b>	<b>34,544</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	22,085	152,490	174,575
Unrestricted	323,755	239,586	563,341
<b>Total Net Assets</b>	<b>\$ 345,840</b>	<b>\$ 392,076</b>	<b>\$ 737,916</b>

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS**  
**Proprietary Nonmajor Funds**  
**For the Year Ended June 30, 2009**

	<b>Solid Waste Utility</b>	<b>Cable/Internet Utility</b>	<b>Total Enterprise Nonmajor Funds</b>
<b>Operating Revenues:</b>			
Charges for Services	\$ 162,903	\$ 445,135	\$ 608,038
<b>Total Operating Revenue</b>	<b>162,903</b>	<b>445,135</b>	<b>608,038</b>
<b>Operating Expenses:</b>			
Resale Purchases	120,762	221,907	342,669
Employee Services		54,592	54,592
Contract Services	17,036	63,746	80,782
Supplies	145	19,261	19,406
Repairs and Improvements	1,000	37,507	38,507
Utilities	131		131
Miscellaneous	19	2,073	2,092
Depreciation		14,501	14,501
<b>Total Operating Expenses</b>	<b>139,093</b>	<b>413,587</b>	<b>552,680</b>
<b>Operating Income</b>	<b>23,810</b>	<b>31,548</b>	<b>55,358</b>
<b>Non-Operating Income (Expense):</b>			
Interest Income	5,319	3,418	8,737
Other Non-operating Revenues (Expenses)	676	(1,471)	(795)
<b>Total Non-Operating Income (Expenses)</b>	<b>5,995</b>	<b>1,947</b>	<b>7,942</b>
<b>Income (Loss) before Contributions and Transfers</b>	<b>29,805</b>	<b>33,495</b>	<b>63,300</b>
<b>Transfers Out</b>	<b>(20,000)</b>	<b>(10,000)</b>	<b>(30,000)</b>
<b>Change in Net Assets</b>	<b>9,805</b>	<b>23,495</b>	<b>33,300</b>
<b>Net Assets - Beginning</b>	<b>336,035</b>	<b>368,581</b>	<b>704,616</b>
<b>Net Assets - Ending</b>	<b>\$ 345,840</b>	<b>\$ 392,076</b>	<b>\$ 737,916</b>

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Nonmajor Funds**  
**For the Year Ended June 30, 2009**

	<b>Solid Waste Utility</b>	<b>Cable/Internet Utility</b>	<b>Total Enterprise Nonmajor Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 164,264	\$ 445,510	\$ 609,774
Cash Received from Interfund Services Provided			
Cash Paid to Suppliers for Goods and Services	(143,319)	(348,001)	(491,320)
Cash Paid to Employees for Services	(2)	(54,335)	(54,337)
Other Nonoperating Income	676	(1,471)	(795)
Net Cash Provided by Operating Activities	21,619	41,703	63,322
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating Transfers to Other Funds	(20,000)	(10,000)	(30,000)
Net Cash (Used) for Non-Capital Financing Activities	(20,000)	(10,000)	(30,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	5,319	3,418	8,737
Net Cash Provided for Investing Activities	5,319	3,418	8,737
Net Increase in Cash and Cash Equivalents	6,938	35,121	42,059
Cash and Cash Equivalents at Beginning of Year	272,946	196,562	469,508
Cash and Cash Equivalents at End of Year	\$ 279,884	\$ 231,683	\$ 511,567

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Nonmajor Funds**  
**For the Year Ended June 30, 2009**

	<b>Solid Waste Utility</b>	<b>Cable/Internet Utility</b>	<b>Total</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	\$ 23,810	\$ 31,548	\$ 55,358
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Depreciation	-	14,501	14,501
Miscellaneous Non-Operating Income	676	(1,471)	(795)
(Increase) Decrease in Assets:			
Accounts Receivable	1,855	375	2,230
Estimated Unbilled Usage	(494)		(494)
Inventories		(1,481)	(1,481)
Prepaid Expenses	1,639	(702)	937
Increase (Decrease) in Liabilities			
Accounts Payable	(5,185)	(851)	(6,036)
Accrued Wages		167	167
Accrued Compensated Absences	(2)	90	88
Accrued Expenses	(680)	(473)	(1,153)
Total Adjustments	(2,191)	10,155	7,964
Net Cash Provided by Operating Activities	\$ 21,619	\$ 41,703	\$ 63,322

**Reconciliation of Cash and Cash Equivalents  
to the Balance Sheet:**

Cash and Cash Equivalents	\$ 279,884	\$ 231,683	\$ 511,567
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**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Fiduciary Funds**  
**JUNE 30, 2009**

	<b>Agency Funds</b>			
	<b>Payroll Clearing</b>	<b>Flex Spending</b>	<b>Community Projects</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 12,351	\$ 3,290	\$ 31,602	\$ 47,243
<b>Total Assets</b>	<u>12,351</u>	<u>3,290</u>	<u>31,602</u>	<u>47,243</u>
<b>LIABILITIES</b>				
Accounts Payable	-	-	254	254
Due to Other Governments	12,351	3,290	31,348	46,989
<b>Total Liabilities</b>	<u>\$ 12,351</u>	<u>\$ 3,290</u>	<u>\$ 31,602</u>	<u>\$ 47,243</u>

**CITY OF HAWARDEN, IOWA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2009**

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<b><u>PAYROLL CLEARING</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 10,111	\$ 1,709,364	\$ 1,707,124	\$ 12,351
Total Assets	10,111	1,709,364	1,707,124	12,351
<u>Liabilities</u>				
Due to Other Governments	10,111	1,709,364	1,707,124	12,351
Total Liabilities	10,111	1,709,364	1,707,124	12,351
<b><u>FLEX SPENDING</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	3,388	23,908	24,006	3,290
Total Assets	3,388	23,908	24,006	3,290
<u>Liabilities</u>				
Due to Other Governments	3,388	23,908	24,006	3,290
Total Liabilities	3,388	23,908	24,006	3,290
<b><u>COMMUNITY PROJECTS FUND</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	18,748	43,733	30,879	31,602
Total Assets	18,748	43,733	30,879	31,602
<u>Liabilities</u>				
Accounts Payable	250	254	250	254
Due to Other Governments	18,498	43,479	30,629	31,348
Total Liabilities	18,748	43,733	30,879	31,602
<b><u>ALL AGENCY FUNDS TOTAL</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	32,247	1,777,005	1,762,009	47,243
Total Assets	32,247	1,777,005	1,762,009	47,243
<u>Liabilities</u>				
Accounts Payable	250	254	250	254
Due to Other Governments	31,997	1,776,751	1,761,759	46,989
Total Liabilities	\$ 32,247	\$ 1,777,005	\$ 1,762,009	\$ 47,243

**CITY OF HAWARDEN**  
**Schedule of Findings**  
**For the Year Ended June 30, 2009**

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**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.  
There were no prior year audit findings.

**SIGNIFICANT DEFICIENCIES:**

**II-A-09 Financial Reporting**

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting**

**III-A-09 Certified Budget** – Expenditures for the year ended June 30, 2009 exceeded amounts budgeted in the Public Safety, Health and Social Services, Culture and Recreation, and Debt Service functions.

Recommendation – The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended before expenditures are made as appropriate.

Conclusion – Response accepted.

**III-B-09 Questionable Expenses** – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.

**III-C-09 Travel Expenses** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF HAWARDEN**  
**Schedule of Findings**  
**For the Year Ended June 30, 2009**

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**III-D-09** Business Transactions – The following business transactions between the City and City officials and/or employees were noted during the year ended June 30, 2009.

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
Dennis Anderson, Spouse of Council-Person and owner of Anderson Construction	Various concrete projects	\$ 3,708
Koopman's Concrete Company, owned by sibling of the City Director of Finance	Concrete work for City Trail Project	\$ 46,723

The work conducted by Koopman's Concrete Company was properly awarded to the low bidder through the competitive bid process. Each project done by Anderson Construction was awarded through the competitive bid process with the exception of several very small patching or repair projects, and appear proper.

**III-E-09** Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions.

**III-F-09** Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

**III-G-09** Revenue Bonds – No violations of revenue bond resolutions were noted.

**III-H-09** Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**III-I-09** Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council  
City of Hawarden, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF HAWARDEN, IOWA as of and for the year ended June 30, 2009, which collectively comprise the City of Hawarden, Iowa's basic financial statements and have issued our report thereon dated December 8, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Hawarden Municipal Hospital, which statements reflect total assets of \$4,347,601 and total program revenues of \$5,750,097 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

***Internal Control Over Financial Reporting:***

In planning and performing our audit, we considered the City of Hawarden, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hawarden, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hawarden, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency and material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Hawarden, Iowa's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Hawarden, Iowa's financial statements that is more than inconsequential will not be prevented or detected by the City of Hawarden, Iowa's internal control. We consider the deficiency in internal control described in the accompanying

Schedule of Findings as item II-A-09 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Hawarden, Iowa's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

The City of Hawarden, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Hawarden, Iowa's responses and, accordingly, we express no opinion on them.

***Compliance and Other Matters:***

As part of obtaining reasonable assurance about whether the City of Hawarden, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

This report, a public record by law, is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Williams & Company, P. C.*  
Certified Public Accountants

December 8, 2009